

SJ 31 Study Utility Decoupling
History of Decoupling in Montana

1994 Montana Power Company

Docket No. 69.3.24, Order No. 5709d (April 28, 1994)

Case summary: A multi-party stipulation resulted in PSC approval of a four-year, “trial” decoupling mechanism for the Montana Power Company (MPC) electric utility. The mechanism tied MPC’s fixed cost revenues during the trial period to a forecast of kilowatt-hour sales from the Company’s 1993 resource plan. Decoupling rate adjustments under the mechanism were calculated on a class-specific basis and were capped at +4%/-1%. Stipulating parties were: MPC, Consumer Counsel (MCC), Human Resource Council (HRC), Northern Plains Resource Council, Montana Environmental Information Center, Natural Resources Defense Council (NRDC), Dept. of Natural Resources and Conservation. One intervenor in the case representing a group of MPC’s large industrial customers opposed decoupling and was not a party to the stipulation.

2005 NorthWestern Energy

Docket Nos. D2003.6.77, Order No. 6496f and D2004.6.90, Order No. 6574e (Dec. 16, 2005)

Case summary: NWE proposed the recovery of demand-side management (DSM) costs and associated lost revenues in the context of its electricity supply cost tracker. MCC and AARP opposed NWE’s lost revenue adjustment mechanism (LRAM), which was focused on lost transmission and distribution revenue. The PSC approved the LRAM through mid-2007 and required NWE to provide a report by June 15, 2007 to justify continued use of the LRAM. In the report, NWE was required to evaluate the costs and benefits the LRAM approach compared to other mechanisms such as decoupling.

2008 NorthWestern Energy

Docket No. D2006.5.66 and Docket No. D2007.5.46, Order No. 6836c (June 24, 2008)

Case Summary: In this case, the PSC considered the report NWE filed in June 2007. The PSC found that the LRAM should continue after concluding there was inadequate evidence related to the merits of decoupling. The PSC directed NWE to continue discussing decoupling options with its advisory committee. The PSC also modified the LRAM to discontinue the practice of projecting lost revenues, and instead limited the calculation of lost revenues to a demonstration of the impacts of actual DSM program savings.

2010 NorthWestern Energy

Docket No. D2009.9.129, Order No. 7046h (December 9, 2010)

Case summary: An intervenor in this NWE rate case, HRC/NRDC, proposed replacing NWE's LRAM with a four-year pilot decoupling mechanism. The PSC approved the HRC/NRDC proposal, with several modifications. The PSC-approved mechanism applied to the just residential and small commercial customers. NWE's non-fuel revenues for these customer classes were tied to a specified fixed cost per customer (non-fuel revenue would change during the decoupling pilot based on changes in the number of customers rather than changes in kilowatt-hour sales). Rate adjustments were calculated on a class-specific basis, included a weather-normalizing adjustment, and were capped at +/- 2.5% of authorized fixed cost revenue. The PSC reduced NWE's authorized return on equity by 25 basis points to account for risk shifting effects of decoupling.

2015 NorthWestern Energy

Docket No. D2014.6.53, Order No. 7375a (October 15, 2015)

Case summary: The PSC initiated this contested case to address the recovery of lost revenues by NWE. HRC/NRDC and MCC intervened. NWE and HRC/NRDC generally favored decoupling over the existing LRAM, however, all parties agreed that the PSC should not order a decoupling mechanism in the instant proceeding. The PSC found that three circumstances had changed since it first authorized the LRAM: NWE's portfolio of DSM and energy efficiency programs had matured and program costs were fully recovered in rates, NWE had become a vertically integrated utility, and wholesale electricity and natural gas prices were generally lower. The PSC found discontinuation of the LRAM was necessary to ensure just and reasonable electric and gas rates, and ordered NWE to exclude lost revenues from future electric and gas supply tracker rate adjustments. The PSC neither rejected nor endorsed decoupling.

2016 NorthWestern Energy

Docket No. D2016.9.68, Commission Action (September 23, 2016)

Case summary: NWE asked the Commission to bifurcate the review of NWE's natural gas utility general rate case application into two phases, a revenue requirements phase and a cost of service and rate design phase to conserve resources and promote administrative efficiency. The Commission granted NWE's request and determined that any proposals for decoupling mechanisms would be addressed in the second phase of the proceeding. NWE filed the second phase of its rate case, addressing cost of service and rate design, on May 31, 2017. That filing did not include a decoupling proposal.

PSC Decoupling Workshop

In October 2016, the PSC hosted a workshop on revenue regulation, with technical assistance provided by the U.S. Department of Energy and the Lawrence Berkeley National Laboratory. The goal of the workshop was to help the PSC, legislators, and other interested stakeholders learn about decoupling: what it is, how it works, reasons to consider it, and the tradeoffs that come with it, and elevate and inform future public policy discussions. Video Archive:

http://montanalegislature.granicus.com/MediaPlayer.php?view_id=131&clip_id=19510

HJ 28 Study Natural Gas Customer Choice

Natural Gas Utilities that offer Customer Choice

NorthWestern Energy: 1,126 residential, 792 commercial & industrial

Energy West Montana: 470 (2010 – last rate case)

Licensed Natural Gas Suppliers

No.	Supplier Name	Customer Segment Served
1.	Commercial Energy of Montana	Residential Small Business Commercial Industrial
2.	Energy West Resources Inc.	Residential Small Business Commercial Industrial
3.	Big Sky Gas LLC	Residential Small Business Commercial Industrial
4.	Croft Petroleum Co.	Residential Commercial Industrial
5.	BP Canada Energy Marketing Corp.	Commercial Industrial
6.	Summit Energy LLC	Commercial Industrial
7.	Jefferson Energy Trading LLC	Commercial Industrial
8.	Shell Energy North America	Commercial Industrial
9.	United Energy Trading LLC	Commercial Industrial
10.	CenterPoint Energy Services Inc	Commercial Industrial
11.	Sage Energy Trading LLC	Industrial

PSC Administrative Rules related to Natural Gas Supply Choice

38.5.7005 – standards of conduct for transmission, distribution, and storage service providers

38.5.7010 – natural gas supplier license applications

38.5.7011 – natural gas supplier electronic registration requirements

38.5.7014 – natural gas supplier annual reporting requirements

38.5.7010 GAS SUPPLIERS -- APPLICATION FOR LICENSE (abbreviated)

- (1) An application for a natural gas supplier license shall include the following:
 - (a) business name of the applicant;
 - (b) street address and the mailing address of the applicant;
 - (c) telephone number of the applicant;
 - (d) a description of the applicant's business organization, diagram of organization, state in which organized, statement of ownership/operation of gas distribution, transmission, or storage facilities, list of the applicant's affiliates and associated business activities, a statement of affiliate ownership/operation of gas distribution, transmission, or storage facilities;
 - (e) applicant's contact information for regulatory inquiries;
 - (f) applicant's contact information for consumer inquiries;
 - (g) contact information for applicant's agent for service of process in Montana, if required by law;
 - (h) information demonstrating ability to provide the gas supply service to be offered;
 - (i) information demonstrating quality, safety, and reliability of gas supply to be offered;
 - (j) information demonstrating the applicant's financial integrity;
 - (k) information demonstrating ability to deliver projected load requirements;
 - (l) description of any federal and state judicial and administrative actions pending against the applicant in which judgment sought exceeds 10 percent of applicant's net worth; and
 - (m) identification of any federal and state judicial and administrative actions within past 5 years involving applicant's authority to supply, market, and broker natural gas.
- (2) Applicants shall file a sample of each type of contract to be used in providing supply to residential and small commercial consumers.
- (3) Upon making application to the commission for a license, applicants must notify distribution services providers.
- (4) All information provided by applicant must be updated anytime a change occurs.
- (5) If applicant believes any of the above information is not applicable to applicant, applicant must clearly state the reason supporting such determination.

38.5.7014 GAS SUPPLIER -- ANNUAL REPORTS

- (1) Annual reports must be filed by each licensee at calendar year end.
- (2) Annual reports shall be on a form approved by the commission and include the following information (the commission may require that information from suppliers be filed more frequently, if deemed necessary):
 - (a) a descriptive list of all services offered during the year and at the end of the year;
 - (b) quality and reliability-of-service reports (e.g., Btu content, outages, customer quality and reliability-of-service complaints), itemized by month; and
 - (c) an organization chart showing ownership and control relationships among any holding companies and subsidiaries.